

September 2, 2008

Via UPS and Email

Mary L. Cottrell, Secretary
Department of Public Utilities
1 South Station, 2nd Floor
Boston, MA 02110

**Re: KeySpan Energy Delivery New England, D.P.U. 07-104 (2008)
Energy Efficiency Spending Increase for 2008 Winter Season**

Dear Secretary Cottrell:

On July 25, 2008, the Department of Public Utilities (the "Department") asked energy efficiency Program Administrators in the state to file proposals to increase spending for residential heating programs effective as soon as possible. On July 29, 2008, the Department held a technical conference to discuss this issue and, subsequently, the Department issued a memorandum requiring that the proposals to increase spending should be filed with the Department no later than August 15, 2008. During this period, the Department was reviewing National Grid's Massachusetts gas companies' Settlement Agreement with the Division of Energy Resources and Action, Inc. following extensive discovery, a technical session and filing of comments.² The Settlement Agreement included a five-year gas energy efficiency plan that incorporated substantial annual increases in spending for 2008 through 2012. On July 31, 2008, the Department issued its final decision on D.P.U. 07-104. While the Department did not approve the Settlement Agreement, it did, however, approve the implementation of the Company's proposed programs and a total budget of \$15 million for calendar year 2008. The proposed increase in spending for 2008 approved by the Department results in an increase in spending of approximately 20 percent over the budget for 2007, and includes additional spending for residential, residential low-income, multi-family, and C&I rate classes. D.P.U. 07-104, at 12-14.

In National Grid's August 15, 2008 filing for Massachusetts Electric Company and Nantucket Electric Company's proposed increases in electric energy efficiency spending in docket D.P.U. 08-8, the Company intended to include a footnote regarding its Massachusetts gas companies' increase in spending for 2008 as a result of the Department's Order. That footnote was to include the information contained in this letter but was inadvertently omitted. Therefore, the

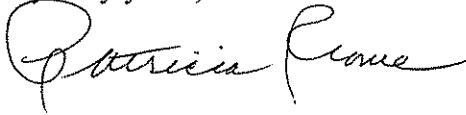
1 Boston Gas Company, Colonial Gas Company and Essex Gas Company each do business as National Grid.
2 The Attorney General intervened and actively participated in this docket.

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Company is filing this letter to address the Department's directive to submit proposals regarding increased spending for 2008.

Please contact me if you have questions regarding this matter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Patricia Crowe".

Patricia Crowe

cc: Steven I. Venezia, Deputy General Counsel, DOER
Jamie Tosches, Assistant Attorney General
Elliot Jacobsen, Action, Inc.
dpu.efiling